
Board Action Bulletin



Prepared by the Office of Public & Congressional Affairs

NCUA BOARD ACTIONS TAKEN SEPTEMBER 24, 2003

Enhanced member business loan rule adopted

The NCUA Board approved a final rule amending Part 723, the member business loan (MBL) regulation to provide greater flexibility for credit unions to meet the business loan needs of their members within statutory limits and appropriate safety and soundness parameters.

Effective 30 days after publication in the *Federal Register*, the revised Part 723 member business lending rule:

- Adopts the new term “net member business loan balance” to accurately identify what constitutes a member business loan for various purposes under the rule.
- Amends construction and development loan equity requirements to require 25 percent borrower equity, reduced from 35 percent under the prior rule.
- Authorizes “RegFlex” (highly capitalized) designated credit unions to establish individual policies regarding whether to require personal guarantees by principals and the amount of such guarantees
- Authorizes well-capitalized credit unions to make unsecured member business loans within certain regulatory limits and restrictions
- Provides that purchases of nonmember loans and nonmember participation interests do not count against a credit union’s aggregate MBL limit, subject to an application and approval process that will include safety and soundness reviews and is designed to prevent loan swapping to avoid statutory and regulatory requirements
- Allows 100 percent financing on certain business purpose loans secured by vehicles
- Provides that loans directly to other credit unions and credit union service organizations (CUSOs) are not classified as member business loans for purposes of the rule
- Clarifies and streamlines member business loan documentation requirements
- Amends the prompt corrective action (PCA) rule regarding the risk weighting of member business loans
- Authorizes federal credit union investment, subject to applicable regulatory restrictions, in CUSOs that originate business loans

More detailed information on the member business lending rule and the full statements of Board members Johnson and Matz are available at www.ncua.gov.

Amendments recommended for mutual savings bank conversion requirements

The NCUA Board issued proposed amendments to Part 708a, with a 60 day comment period, to require credit unions wishing to convert to mutual savings banks to provide members with [additional disclosures](#) including:

- disclosure that conversion from a credit union to a mutual savings bank could lead to members losing their ownership interests in the credit union if the mutual savings bank subsequently converts to a stock institution and the members do not become stockholders;
- disclosure that the conversion from a credit union to a mutual savings bank could lead to members having lesser voting rights than they had in the credit union; and
- disclosure of any economic benefit a director or senior management official may receive, including receipt of or increase in compensation and any foreseeable stock related benefits associated with subsequent conversion to a stock institution.

Maximum borrowing authority and surety and guaranty rules proposed

The NCUA issued a proposed change to §741.2 of the regulations to permit federally insured, state-chartered credit unions (FISCUs) to apply for a waiver from the maximum borrowing limitation of 50 percent of paid-in and unimpaired capital and surplus. The amendment would provide FISCUs more flexibility by allowing them to apply for a waiver up to the amount permitted under state law. For federal credit unions, the 50 percent borrowing limit is statutory and therefore a waiver is not possible.

Issued with a 60-day comment period, the proposal also adds a provision to NCUA's regulations that allows a federal credit union (FCU) to act as a surety or guarantor on behalf of its members. The proposal establishes certain requirements to ensure that FCUs, and FISCUs permitted under state law to act as a surety or guarantor, are not exposed to undue risk.

Charter conversions

The NCUA Board approved the conversion of \$281 million **ABNB FCU**, Virginia Beach, Virginia, to convert from a multiple group to a community charter able to serve the people who live, work, worship, volunteer, or go to school in, and businesses and other legal entities in the recognized southeastern Virginia community (SVC) which includes the Isle of Wight and Southampton Counties. The SVC includes the cities of Franklin, Chesapeake, Norfolk, Portsmouth, Suffolk, and Virginia Beach, Virginia, and includes a population of 1,078,642 according to the 2000 census.

The NCUA Board approved the conversion of \$1.7 billion **Bethpage Federal Credit Union**, Bethpage, New York, from a multiple common bond to a community charter able to serve the 2.7 million people who live, work, worship, or attend school in and businesses and other legal entities located in Nassau County, New York or the following portions of Suffolk County, New York -- Town of Huntington; Town of Babylon; Town of Smithtown; Town of Islip;

Town of Brookhaven; the Poospatuck Reservation; Town of Riverhead; and Town of Southold.

Votes are unanimous unless otherwise indicated.